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August 17, 2018

VIA E-FILING

Jocelyn Boyd, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: Duke Energy Carolinas, LLC Annual Review of Base Rates for Fuel Costs
Docket No. 2018-3-E

Dear Ms. Boyd:

I have enclosed for filing the Direct Testimony of Kevin W. O'Donnell, CFA, which I am filing on behalf of the South Carolina Energy Users Committee ("SCEUC") in the above-captioned matter. By copy of this letter, I am serving all parties of record.

If you have questions, please do not hesitate to contact me.

Sincerely,

ELLIOTT & ELLIOTT, P.A.



Scott Elliott

SE/lbk

Enclosures

cc: All parties of record (w/enc.)

**BEFORE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION
DOCKET NO. 2018-3-E**

In the Matter of:

Application of Duke Energy Carolinas,)	
LLC for Authority to Adjust its Base)	Docket No. 2018-3-E
Rates for Fuel Costs)	

Direct Testimony

of

Kevin W. O'Donnell, CFA

On Behalf of

South Carolina Energy Users Committee

August 17, 2018

1

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**BEFORE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF KEVIN W. O'DONNELL, CFA**

1 **I. INTRODUCTION**
2

3 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS**
4 **ADDRESS FOR THE RECORD.**

5 A. My name is Kevin W. O'Donnell. I am President of Nova Energy
6 Consultants, Inc. My business address is 1350 Maynard Rd., Suite 101,
7 Cary, North Carolina 27511.
8

9 **Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN**
10 **THIS PROCEEDING?**

11 A. I am testifying on behalf of the South Carolina Energy Users Committee
12 (SCEUC), which is an industrial trade association in South Carolina. Many
13 of SCEUC's members take retail electric service from Duke Energy
14 Carolinas, LLC (DEC or the Company) and will be impacted by the
15 proceedings in this case.
16

17 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND**
18 **AND RELEVANT EMPLOYMENT EXPERIENCE.**

19 A. I have a Bachelor of Science in Civil Engineering from North Carolina State
20 University and a Master of Business Administration from the Florida State
21 University. I earned the designation of Chartered Financial Analyst (CFA)
22 in 1988. I have worked in utility regulation since September 1984, when I
23 joined the Public Staff of the North Carolina Utilities Commission (NCUC).
24 I left the NCUC Public Staff in 1991 and have worked continuously in
25 utility consulting since that time, first with Booth & Associates, Inc. (until

1 1994), then as Director of Retail Rates for the North Carolina Electric
2 Membership Corporation (1994-1995), and since then in my own consulting
3 firm. I have been accepted as an expert witness on rate of return, cost of
4 capital, capital structure, cost of service, and other regulatory issues in
5 general rate cases, fuel cost proceedings, and other proceedings before the
6 North Carolina Utilities Commission, the South Carolina Public Service
7 Commission (Commission), the Virginia State Commerce Commission, the
8 Minnesota Public Service Commission, the Colorado Public Service
9 Commission, the New Jersey Board of Public Utilities, the Wisconsin
10 Public Service Commission, and the Florida Public Service Commission.
11 In 1996, I testified before the U.S. House of Representatives, Committee on
12 Commerce and Subcommittee on Energy and Power, concerning
13 competition within the electric utility industry. Additional details regarding
14 my education and work experience is set forth in Appendix A to my direct
15 testimony.

16
17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
18 **PROCEEDING?**

19 A. The purpose of my testimony in this case is to review the reporting function
20 of DEC as it comes to fuel procurement as well as to recommend additional
21 reporting requirements and a change in the requested fuel rates.
22

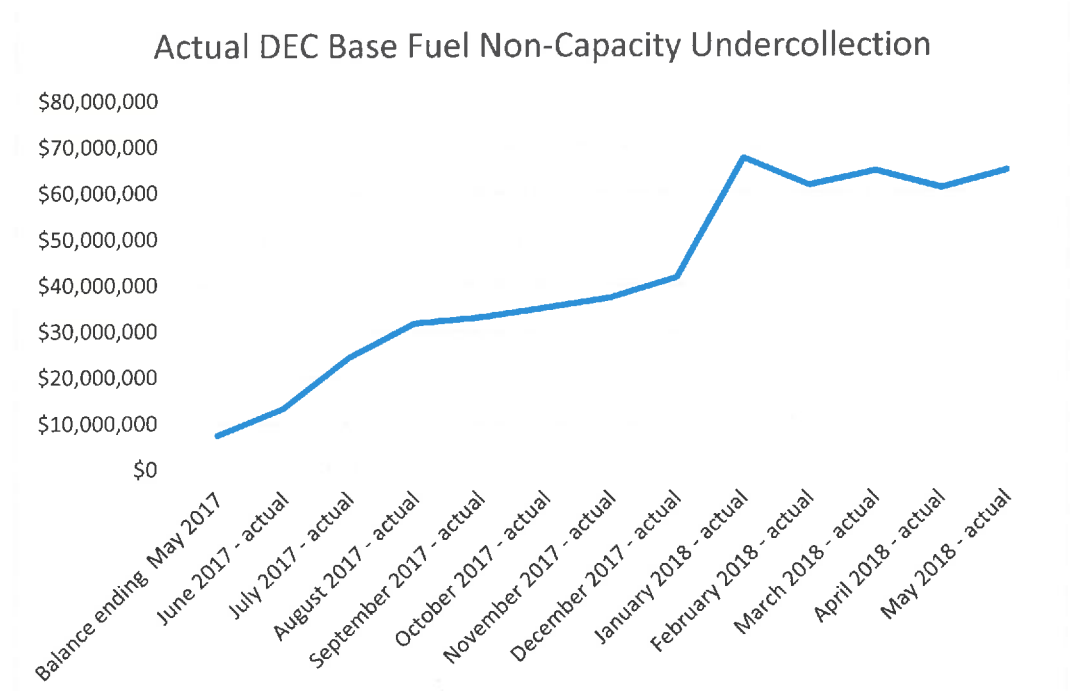
23 **Q. PLEASE EXPLAIN DEC'S REQUEST IN THIS FUEL CASE.**

24 A. Driven by a \$65 million undercollection, DEC is looking to increase rates
25 approximately 4% for residential consumers, 6% for commercial
26 consumers, and 8% for industrial consumers.
27

1 **Q. DO YOU AGREE WITH COMPANY WITNESS MCGEE THAT**
 2 **THE UNDERCOLLECTION IN FUEL RESULTS FROM THE**
 3 **EXTREME WEATHER IN JANUARY? ¹**

4 **A.** Not entirely. I do recognize that the weather in early January, 2018 was
 5 colder than usual and that gas capacity prices on Transco were at historical
 6 levels. However, data from DEC, itself, showed that Duke was already on
 7 pace to grossly undercollect its fuel costs. Below is a graph based on data
 8 provided by the Company showing its cumulative undercollection of fuel
 9 costs through April, 2018.

10
 11 Chart 1: Cumulative DEC Base Fuel Non-Capacity Undercollection



12

13

Source for raw data: Response to SCEUC Interrogatory 1-2, Schedule 4.xlsx

14

15

As can be seen above, DEC's forecast was consistently inaccurate dating

¹ McGee prefiled direct testimony, p. 16, l. 3-6

1 back to June, 2017 and July, 2017 when it experienced an undercollection
2 of \$5.8 million and \$11 million, respectively.

3
4 Through May of 2018, the DEC fuel undercollection was \$64.6 million, of
5 which \$29 million occurred in January, 2018. Regardless of January, DEC
6 would still have experienced a sizable undercollection in the past fuel test
7 year.

8
9
10 **II. CURRENT FUEL REPORTING REQUIREMENTS**

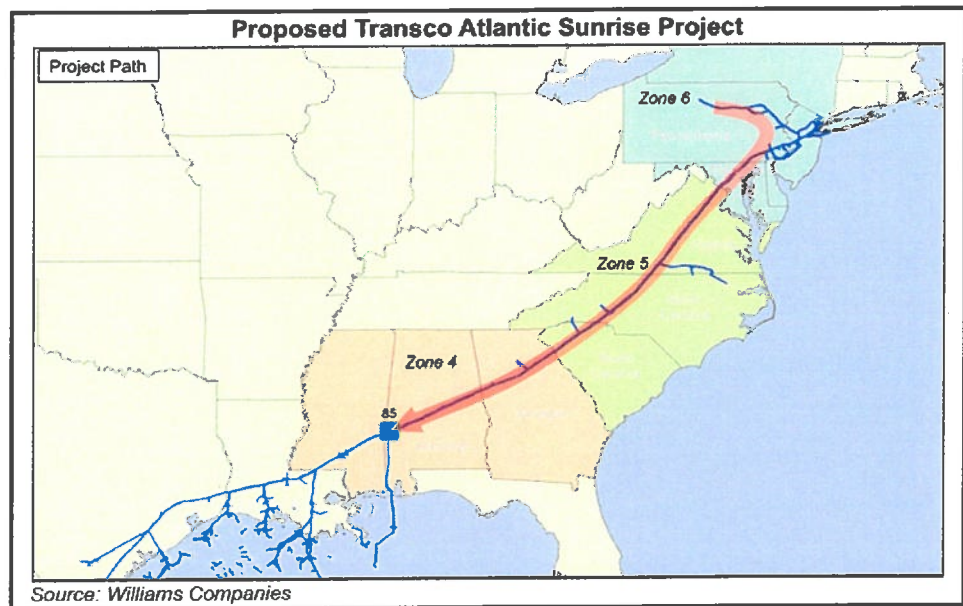
11
12 **Q. PLEASE EXPLAIN HOW DUKE CURRENTLY REPORTS FUEL**
13 **EXPENSES TO THE COMMISSION.**

14 A. DEC reports fuel expenses on a monthly basis. In the past, monthly
15 reporting of fuel may have provided the Commission with a reasonable
16 opportunity for oversight of DEC and other utilities because of the diverse
17 mix of generation in all South Carolina utility fleets. However, natural gas
18 is becoming the generation choice of all new electric generation. This move
19 to natural gas generation is causing pipeline constraints that are making
20 monthly oversight of fuel procurement difficult for this Commission.

21
22 **Q. PLEASE EXPLAIN YOUR CONCERN REGARDING PIPELINE**
23 **CONSTRAINTS AND FUEL PRICES.**

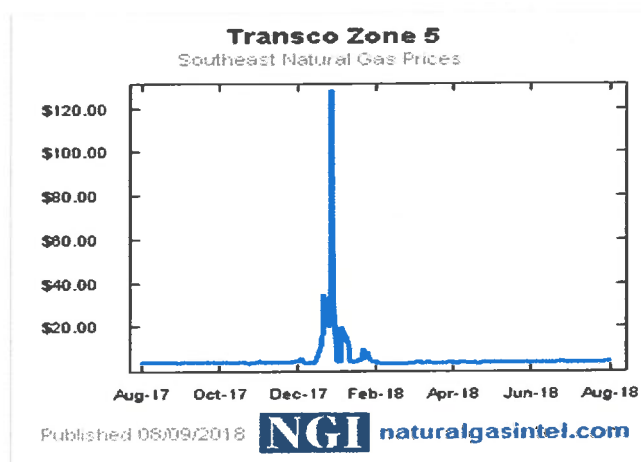
24 A. Below is a chart showing the natural gas pipeline, Transco, that serves the
25 DEC gas-fired electric generation plants. As can be seen in this chart, DEC
26 takes gas in Zone 5 of Transco (South Carolina, North Carolina, and
27 Virginia).

Chart 2: Transco Zonal Map



Due to the movement towards natural gas for electric generation, capacity on Transco has become very tight. In fact, as can be seen in Chart 3 below, Transco Zone 5 hit record levels in January, 2018. Daily prices reached as high as \$120 per dt of natural gas.

Chart 3: Transco Zone 5 Prices



Note: Printed with permission from NGI

1 DEC knew, or should have known, that prices in January for natural gas
2 would present hardships for customers. However, by the time the books
3 closed on January, there was little DEC could do to prevent a substantial
4 undercollection in South Carolina fuel costs.

5
6 The daily and hourly pricing information from which DEC is making fuel
7 purchasing decisions is not part of the regular fuel reporting requirements
8 of the utility. As a result, without daily and hourly pricing data, this
9 Commission is not able to look behind the monthly reports provided by
10 DEC and other South Carolina utilities. Such a lack of data puts the
11 Commission at a disadvantage in determining if DEC acted prudently in its
12 fuel procurement practices.

13
14 **Q. ARE YOU CLAIMING THAT DEC HAS MISMANAGED ITS FUEL**
15 **PROCUREMENT RESPONSIBILITIES?**

16 **A.** No. On the basis of this record, it is not possible for the Commission to
17 conclusively determine whether DEC acted prudently in its fuel purchasing
18 practices.

19

1
2 **III. RECOMMENDED FUEL REPORTING REQUIREMENTS**
3

4 **Q. PLEASE EXPLAIN WHAT SPECIFIC DATA YOU BELIEVE THE**
5 **COMMISSION SHOULD HAVE IN DETERMINING PRUDENCY**
6 **IN FUEL CASES.**

7 A. The Commission should require that DEC and all other South Carolina
8 utilities provide hourly pricing data to the Commission, the Office of
9 Regulatory Staff (“ORS”) and interested parties monthly. Specifically, all
10 utilities should be required to provide hourly pricing for natural gas
11 procurement, hourly marginal pricing of electricity, and those alternative
12 sources of energy the utility examined at each hour in the test year. From
13 this hourly pricing data, the Commission and the ORS can analyze the
14 decisions the utility makes in each hour of the fuel test year.

15
16 In addition, DEC should continue to provide the Commission, ORS and
17 interested parties with monthly fuel reports and quarterly fuel forecasts as
18 is currently required.

19
20 **Q. EXPLAIN IN MORE DETAIL WHY HOURLY PRICING DATA IS**
21 **IMPORTANT.**

22 A. As noted in Chart 3 above, daily gas prices at Zone 5 on Transco soared to
23 as much as \$120 per MMBTU in January. On days when the price of natural
24 gas gets this high, it may not be prudent to purchase a full complement of
25 natural gas off of the Transco pipeline and run older, less efficient gas
26 turbines to generate electricity. On such high-cost days, it might very well
27 be prudent for DEC to purchase power from a third-party instead of running
28 their own generation. For example, at \$120 per MMBTU, the cost for
29 natural gas generation would be approximately \$1,320 per MWH for a gas
30 combustion turbine with a 11 MMBTU/MWH heat rating. In this case,

1 DEC should compare the \$1,320 per MWH self-run price to the price
2 available on the open market. Armed with this information, DEC should be
3 compelled to choose the lower cost option. Armed with this information,
4 the Commission and ORS will be equipped to determine the prudence of
5 DEC's choice.

6
7 One market available to DEC is the Dominion South hub. On Jan. 5, 2018,
8 prices at the Dominion South hub ranged from a \$92 per MWH to \$530 per
9 MWH. Were DEC met with the alternative of the cost to self-generate at a
10 cost as high as \$1,320 per MWH, as opposed to the Dominion South hub
11 price maximum of \$530 per MWH, it would have been prudent for DEC to
12 have purchased energy at the Dominion South hub instead of running the
13 combustion turbine unit

14
15 **Q. DO YOU KNOW IF DEC PURCHASED POWER AT THE**
16 **DOMINION SOUTH HUB ON AN HOURLY BASIS IN EARLY**
17 **JANUARY?**

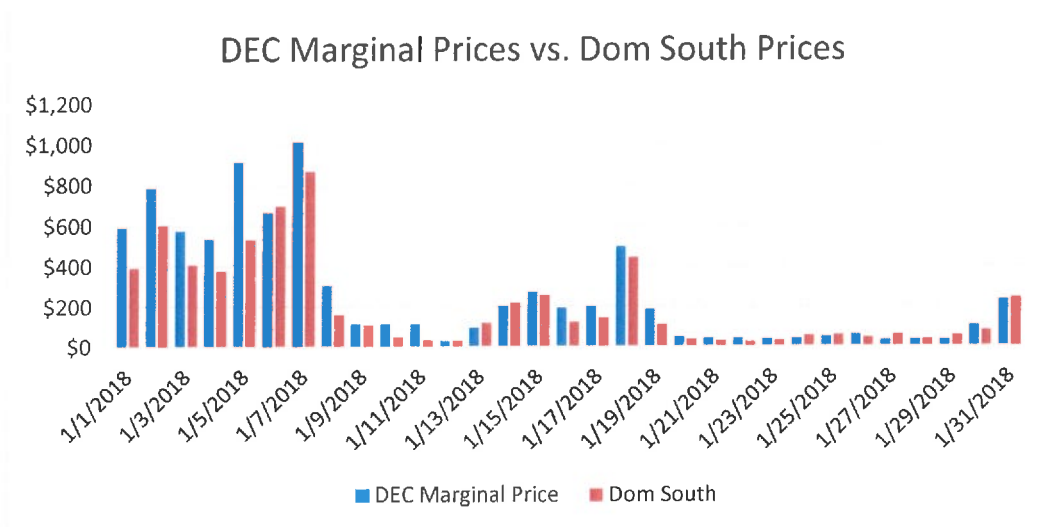
18 **A.** Based on DEC's response to SCEUC 1-4, the Company did purchase \$28
19 million of energy from PJM Interconnection, LLC in the month of January.
20 From this record, I am unable to determine whether the Company could
21 have purchased more energy from PJM in the month of January, which
22 would have been prudent. However, if the Commission were to require
23 DEC and other utilities to provide the Commission and ORS with record of
24 its hourly pricing data, the Commission could easily determine whether
25 DEC could have purchased additional energy from other sources and the
26 prudence of DEC's decision.

27

1 **Q. DO YOU KNOW DEC'S MARGINAL PRICE OF POWER IN**
 2 **JANUARY 2018 AND HOW THAT HOURLY PRICE COMPARED**
 3 **TO THE DOMINION SOUTH INDEX PRICE?**

4 **A.** Yes. In response to SCEUC RTP 1-2, DEC provided its marginal prices in
 5 a non-confidential file. Below is a graph showing the hourly DEC marginal
 6 price for energy as compared to the prices in Dominion South.

7
 8 Chart 4: DEC Marginal Prices versus Dominion South Prices



10
 11 Now, to be fair, the prices above are not entirely fuel. DEC noted the
 12 following in its response to SCEUC 1-2:

13
 14 Note: this is not the marginal fuel cost, but the marginal total
 15 generation cost.) Typically, marginal fuel cost is
 16 approximately 90% of our total generation cost, but this can
 17 vary. This is the best hourly data that the Company has
 18 readily available.

19
 20 The 90% value cited by Duke above relates solely to fuel whereas the other
 21 10% may be in relation to other variable costs. Sellers into Dominion South
 22 face a similar situation in that they, too, have variable costs other than fuel

1 costs. Hence, even with this information, DEC's costs as noted in the above
2 chart show a significant opportunity to procure lower cost hourly energy on
3 the open wholesale market.

4
5 **Q. PLEASE PROVIDE THE COMMISSION WITH YOUR**
6 **RECOMMENDED FUEL REQUIREMENTS.**

7 A. To assist the Commission, the ORS, and intervenors in assessing the
8 prudence of DEC's fuel purchasing practices, I recommend the Commission
9 require monthly fuel filings to contain the following information:

- 10
11 1. hourly price of natural gas purchases by DEC (separated by long-
12 term capacity prices and by short-term economy purchases);
13 2. hourly market price for natural gas at Zone 5 Transco;
14 3. hourly marginal pricing of electricity produced by DEC;
15 4. hourly price of open market power examined by DEC for supplying
16 native load along with specific locations of the power; and
17 5. for the highest cost 100 hours of the year, a written description of
18 why DEC chose to self-supply versus buy energy on the open
19 market.

20
21 **IV. CURRENT RATE HIKE REQUEST RECOMMENDATION**
22

23 **Q. PLEASE EXPLAIN THE IMPORTANCE OF ENERGY COSTS TO**
24 **LARGE MANUFACTURING OPERATIONS.**

25 A. Manufacturers are in a constant battle to remain competitive. The
26 competition for South Carolina manufacturers is both international, and
27 domestic (and even among manufacturing facilities owned by the same
28 company). If the cost to manufacture a particular product is less expensive
29 in another state or country, the manufacturer has a duty to its customers and
30 stockholders to move the manufacturing to the area of least cost.

One can easily understand how electricity costs affect a company with manufacturing facilities in South Carolina and Georgia producing identical products. Manufacturers planning their daily production schedules can look at South Carolina prices on a day ahead hourly basis and compare those prices to the Georgia hourly prices. In many circumstances, the South Carolina hourly electric prices are higher than the Georgia prices, and the South Carolina plant is forced to choose not to operate a certain line the next day. In this event, the South Carolina utility loses a potential sale. The result is insidious because over time, the daily losses of load add up and jobs are eventually lost.

Q. HOW WILL THE DEC RATEHIKE REQUEST OF 8% IMPACT DEC'S INDUSTRIAL CUSTOMERS?

A. DEC's requested 8% rate hike will have a serious detrimental impact on manufacturers ability to operate in their highly competitive markets. DEC's industrial sales have been negative-to-flat over the past ten years as evidenced in Chart 5 below.

Chart 5: DEC Industrial Sales

Year	SC Ind. Sales (MWH)
2008	9,135,369
2009	7,782,432
2010	8,470,787
2011	8,552,971
2012	8,678,807
2013	8,632,453
2014	8,841,923
2015	9,005,535
2016	9,019,508
2017	9,166,309

1 The loss of industrial load requires DEC to seek earnings growth from its
2 remaining customers.

3
4 An 8% rate hike will encourage more manufacturers to shift production to
5 other southeastern states or elsewhere. The Commission must weigh the
6 cost to all ratepayers on the loss of industrial load versus the desire of DEC
7 to recover all its fuel costs in one year.

8
9 **Q. PUT DEC'S RATE HIKE IN THE CONTEXT OF THE**
10 **ADDITIONAL RATE HIKE PLANNED BY THE UTILITY.**

11 A. DEC has informed its stakeholders that it expects the need for a base rate
12 increase in 2019 and that they should expect a filing for a rate increase in
13 the fourth quarter of 2018. Among other costs, DEC expects to recover the
14 cost of its Lee gas generating plant, the cost of its coal ash remediation and
15 its efforts, as DEC puts it, to modernize its transmission grid. The projected
16 costs of just these three costs is measured in the billions of dollars.
17 Successive rate hikes over a six month period will come as a shock to DEC's
18 customers.

19
20 **Q. HOW DO YOU RECOMMEND THE COMMISSION ADDRESS**
21 **DEC'S RATE REQUEST WHICH IS ESTIMATED TO RESULT IN**
22 **AN OVERALL RATE HIKE OF 8% TO MANUFACTURERS?**

23 A. I recommend the Commission take notice of the stagnant industrial sales in
24 the DEC service territory and spread the rate increase in this case over a
25 period of 2 years. Specifically, I recommend the fuel undercollection be
26 limited to a rate increase to manufacturers of no more than 5% in year 1 for
27 bills issued in October 2018 with the balance to be recovered in year 2 for
28 bills issued in October 2019. To account for the time value of money and
29 to keep Duke whole, I recommend the utility be allowed to earn interest at

1 the rate of the 3-year T-Bond plus 65 basis points for any uncollected
 2 balance on fuel costs. Because DEC's residential and commercial
 3 customers would similarly benefit from a flattening of the rate increase, I
 4 recommend all DEC's customers receive the two phase rate increase.

5
 6 **Q. IS THIS METHODOLOGY OF SPREADING A LARGE FUEL**
 7 **INCREASE CONSISTENT WITH PAST COMMISSION**
 8 **PRECEDENTS?**

9 A. Yes. By Order No. 2014-787 in Docket No. 2014-3-E, the Commission
 10 authorized a fuel factor which allowed for the recovery of an
 11 undercollection of \$36 million over two years. In doing so, the
 12 Commission concluded that spreading the recovery of the undercollection
 13 over two years was consistent with the standards set out in S.C. Code Ann.
 14 Section 58-27-865. The Commission concluded that the settlement
 15 agreement approved in Order No. 2014-787 allowed for recovery in a
 16 precise and prompt manner. Last, the Commission concluded that
 17 authorizing recovery of the undercollection over 2 years provided rate
 18 stabilization, minimized fluctuations in the near term, and did not inhibit
 19 economic development in South Carolina.²

20
 21 DEC's \$65 million undercollection is the largest in recent history. The need
 22 to phase-in rates in the current proceeding is even more compelling given
 23 that the size of the undercollection of \$65 million is twice that of the \$36
 24 million undercollection in the 2014 case.

25
 26 The rate of interest of the 3-year US T-Bill plus 65 basis points is also in
 27 accordance with the final order in Docket no. 2014-3-E.³ This phase-in of

² Docket No. 2014-3-E final order filed Sept. 26, 2014, p. 14

³ Id, p. 10

1 the rate increases from this case will help soften the economic blow from
2 this fuel hike while, at the same time, provide for full recovery of fuel costs
3 for DEC.

4

5 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

6 **A. Yes, it does.**

Appendix A

Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc. (Nova)
1350-101 SE Maynard Rd.
Cary, NC
919-461-0270
919-461-0570 (fax)
kodonnell@novaenergyconsultants.com

Kevin W. O'Donnell, is the founder of Nova Energy Consultants, Inc. in Cary, NC. Mr. O'Donnell's academic credentials include a B.S. in Civil Engineering - Construction Option from North Carolina State University as well as a MBA in Finance from Florida State University. Mr. O'Donnell is also a Chartered Financial Analyst (CFA).

Mr. O'Donnell has over thirty-three years of experience working in the electric, natural gas, and water/sewer industries. He is very active in municipal power projects and has assisted numerous southeastern U.S. municipalities cut their wholesale cost of power by as much as 67%. On Dec. 12, 1998, *The Wilson Daily Times* made the following statement about O'Donnell.

Although we were skeptical of O'Donnell's efforts at first, he has shown that he can deliver on promises to cut electrical rates.

As of the start of 2015, Mr. O'Donnell has completed over 25 wholesale power projects for municipal and university-owned electric systems throughout North and South Carolina. In May of 1996 Mr. O'Donnell testified before the U.S. House of Representatives, Committee on Commerce, Subcommittee on Energy and Power regarding the restructuring of the electric utility industry.

Mr. O'Donnell has appeared as an expert witness in 95 regulatory proceedings before the North Carolina Utilities Commission, the South Carolina Public Service Commission, the Virginia Corporation Commission, the Minnesota Public Service Commission, the New Jersey Board of Public Utilities, the Colorado Public Service Commission, District of Columbia Public Service Commission, the Maryland Public Service Commission, the Public Utility Commission of Texas, the Wisconsin Public Service Commission, and the Florida Public Service Commission. His area of expertise has included rate design, cost of service, rate of return, capital structure, nuclear decommissioning, natural gas expansion feasibility studies, fuel adjustments, merger transactions, cogeneration studies, holding company applications, as well as numerous other accounting, financial, and utility rate-related issues.

Mr. O'Donnell is the author of the following two articles: "Aggregating Municipal Loads: The Future is Today" which was published in the Oct. 1, 1995 edition of *Public Utilities Fortnightly*; and "Worth the Wait, But Still at Risk" which was published in the May 1, 2000 edition of *Public Utilities Fortnightly*. Mr. O'Donnell is also the co-author of "Small Towns, Big Rate Cuts" which was published in the January, 1997 edition of *Energy Buyers Guide*. All of these articles discuss how rural electric systems can use the wholesale power markets to procure wholesale power supplies.

Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.

Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
Public Service Company of NC	NC	G-5, Sub 200	Public Staff of NCUC	Return on equity, capital structure
Piedmont Natural Gas Company	NC	G-9, Sub 251	Public Staff of NCUC	Return on equity, capital structure
General Telephone of the South	NC	P-19, Sub 207	Public Staff of NCUC	Return on equity, capital structure
Public Service Company of NC	NC	G-5, Sub 207	Public Staff of NCUC	Return on equity, capital structure
Piedmont Natural Gas Company	NC	G-9, Sub 278	Public Staff of NCUC	Return on equity, capital structure
Public Service Company of NC	NC	G-5, Sub 246	Public Staff of NCUC	Return on equity, capital structure
North Carolina Power	NC	E-22, Sub 314	Public Staff of NCUC	Return on equity, capital structure
Duke Energy	NC	E-7, Sub 487	Public Staff of NCUC	Return on equity, capital structure
North Carolina Natural Gas	NC	G-21, Sub 306	Public Staff of NCUC	Natural gas expansion fund
North Carolina Natural Gas	NC	G-21, Sub 307	Public Staff of NCUC	Natural gas expansion fund
Penn & Southern Gas Company	NC	G-3, Sub 186	Public Staff of NCUC	Return on equity, capital structure
North Carolina Natural Gas	NC	G-21, Sub 334	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Carolina Power & Light Company	NC	E-2, Sub 680	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
Duke Power	NC	E-7, Sub 559	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
Piedmont Natural Gas Company	NC	G-9, Sub 378	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Piedmont Natural Gas Company	NC	G-9, Sub 382	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Public Service Company of NC	NC	G-5, Sub 356	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Cardinal Extension Company	NC	G-39, Sub 0	Carolina Utility Customers Assoc.	Capital structure, cost of capital
Public Service Company of NC	NC	G-5, Sub 327	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Public Service Company of NC/SCANA	NC	G-5, Sub 400	Carolina Utility Customers Assoc.	Natural gas transportation rates
Public Service Company of NC/SCANA	NC	G-43	Carolina Utility Customers Assoc.	Merger case
Carolina Power & Light Company	NC	E-2, Sub 753	Carolina Utility Customers Assoc.	Merger Case
Carolina Power & Light Company	NC	G-21, Sub 387	Carolina Utility Customers Assoc.	Holding company application
Carolina Power & Light Company	NC	P-708, Sub 5	Carolina Utility Customers Assoc.	Holding company application
Piedmont Natural Gas Company	NC	G-9, Sub 428	Carolina Utility Customers Assoc.	Holding company application
NUI Corporation	NC	G-3, Sub 224	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
NUI Corporation/Virginia Gas Company	NC	G-3, Sub 232	Carolina Utility Customers Assoc.	Holding company application
Duke Power	NC	E-7, Sub 685	Carolina Utility Customers Assoc.	Merger application
NUI Corporation	NC	G-3, Sub 235	Carolina Utility Customers Assoc.	Emission allowances and environmental compliance costs
Carolina Power & Light Company/Prog	NC	E-2, Sub 778	Carolina Utility Customers Assoc.	Tariff change request
Duke Power	NC	E-7, Sub 694	Carolina Utility Customers Assoc.	Asset transfer case
Piedmont Natural Gas Company	NC	G-9, Sub 461	Carolina Utility Customers Assoc.	Restructuring application
Cardinal Pipeline Company	NC	G-39, Sub 4	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
South Carolina Public Service Commission	SC	2002-63-G	South Carolina Energy Users Committee	Cost of capital, capital structure
Piedmont Natural Gas/North Carolina	NC	G-9, Sub 470	Carolina Utility Customers Assoc.	Rate of return, accounting, rate design, cost of service
Piedmont Natural Gas/North Carolina	NC	G-9, Sub 430	Carolina Utility Customers Assoc.	Merger application
Piedmont Natural Gas/North Carolina	NC	E-2, Sub 825	Carolina Utility Customers Assoc.	Merger application

Regulatory Cases of Kevin W. O'Donnell, CFA Nova Energy Consultants, Inc.

Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
Carolina Power & Light Company	NC	E-2, Sub 833	Carolina Utility Customers Assoc.	Fuel case
South Carolina Electric & Gas	SC	2004-178-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
Carolina Power & Light Company	NC	E-2, Sub 868	Carolina Utility Customers Assoc.	Fuel case
Piedmont Natural Gas Company	NC	G-9, Sub 499	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
South Carolina Electric & Gas	SC	2005-2-E	South Carolina Energy Users Committee	Fuel application
Carolina Power & Light Company	SC	2006-1-E	South Carolina Energy Users Committee	Fuel application
IRP in North Carolina	NC	E-100, Sub 103	Carolina Utility Customers Assoc.	Submitted rebuttal testimony in investigation of IRP in NC.
Piedmont Natural Gas Company	NC	G-9, Sub 519	Carolina Utility Customers Assoc.	Creditworthiness issue
Public Service Company of NC	NC	G-5, Sub 481	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Duke Power	NC	E-7, 751	Carolina Utility Customers Assoc.	App to share net revenues from certain wholesale pwr trans
South Carolina Electric & Gas	SC	2006-192-E	South Carolina Energy Users Committee	Fuel application
Duke Power	NC	E-7, Sub 790	Carolina Utility Customers Assoc.	Application to construct generation
South Carolina Electric & Gas	SC	2007-229-E	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
South Carolina Electric & Gas	SC	2008-196-E	South Carolina Energy Users Committee	Base load review act proceeding
Western Carolina University	NC	E-35, Sub 37	Western Carolina University	Rate of return, accounting, rate design, cost of service
Duke Power	NC	E-7, Sub 909	Carolina Utility Customers Assoc.	Cost of service, rate design, return on equity, capital structure
South Carolina Electric & Gas	SC	2009-261-E	South Carolina Energy Users Committee	DSM/EE rate filing
Duke Power	SC	2009-226-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
Tampa Electric	FL	080317-EI	Florida Retail Federation	Return on equity, capital structure
Duke Power	SC	2010-3-E	South Carolina Energy Users Committee	Fuel application - assisted in settlement
South Carolina Electric & Gas	SC	2009-489-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
Virginia Power	VA	PUE-2010-00006	Mead Westvaco	Rate design
Duke Energy	SC	2011-20-E	South Carolina Energy Users Committee	Nuclear construction financing
Northern States Power	MN	E002/GR-10-971	Xcel Large Industrials	Return on equity, capital structure
Virginia Power	VA	PUE-2011-0027	Mead Westvaco	Capital structure, revenue requirement
Duke Energy	NC	E-7, Sub 989	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Duke Energy	SC	2011-271-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
Dominion Virginia Power	VA	PUE-2011-00073	Mead Westvaco	Rate design
Town of Smithfield/Partners Equity Gr	NC	ES-160, Sub 0	Partners Equity Group	Rate design, asset valuation
Florida Power & Light	FL	120015-EI	Florida Office of Public Counsel	Capital structure
South Carolina Electric & Gas	SC	2012-218-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
Progress Energy Carolinas	NC	E-2, Sub 1023	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Duke Energy Carolinas	NC	E-7, Sub 1026	Carolina Utility Customers Assoc.	Rate design
Jersey Central Power & Light	NJ	BPU ER12111052	Gerdau Ameristrel	Return on equity, capital structure
Duke Energy Carolinas	SC	2013-59-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
Tampa Electric	FL	130040-EI	Florida Office of Public Counsel	Capital structure and financial integrity
Piedmont Natural Gas	NC	G-9, Sub 631	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Dominion Virginia Power	VA	PUE-2014-00033	Mead Westvaco	Recoverable fuel costs, hedging strategies
Public Service Company of Colorado	CO	14AL-0660E	Colorado Healthcare Electric Coordinating Council	Return on equity, capital structure

Regulatory Cases of Kevin W. O'Donnell, CFA

Nova Energy Consultants, Inc.

Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
WEC Acquisition of Integrys	WI	9400-YO-100	Staff of Wisconsin Public Service Commission	Merger analysis
Dominion Virginia Power	VA	PUE-2015-00027	Federal Executive Agencies	Return on equity
South Carolina Electric & Gas	SC	2015-103-E	South Carolina Energy Users Committee	Return on equity
Western Carolina University	NC	E-35, Sub 45	Western Carolina University	Accounting, cost of service, rate design, ROE, capital structure
Sandpiper Energy	MD	9410	Maryland Office of People's Counsel	Return on equity, capital structure
Washington Gas Light	DC	FC 1137	Washington, DC Office of People's Counsel	Return on equity, capital structure
Florida Power & Light	FL	160021-EI	Florida Office of Public Counsel	Capital Structure
Jersey Central Power & Light	NJ	EM15060733	NJ Division of Rate Counsel	Asset valuation
Rockland Electric Company	NJ	ER16050428	NJ Division of Rate Counsel	Rate design
Dominion NC Power	NC	E-22, Sub 532	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Potomac Electric Power	DC	FC 1139	Healthcare Council of the National Capitol Area (HCNCA)	ROE and capital structure
Columbia Gas of Maryland	MD	FC 9447	Maryland Office of People's Counsel	ROE and capital structure
Washington Gas Light	DC	FC 1142	Washington, DC Office of People's Counsel	Merger analysis
Duke Energy Progress	NC	E-2, Sub 1142	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Public Service Electric & Gas	NJ	GR17070776	NJ Division of Rate Counsel	ROE and capital structure
Duke Energy Carolinas	NC	E-7, Sub 1146	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Elkton Gas/SJI	MD	FC 9475	Maryland Office of People's Counsel	Merger analysis
Entergy Texas	TX	PUC 48371	Public Utilities Commission of Texas	ROE

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that (s)he has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Duke Energy Carolinas, LLC Annual Review of Base
Rates for Fuel Costs

DOCKET NO.: 2018-3-E

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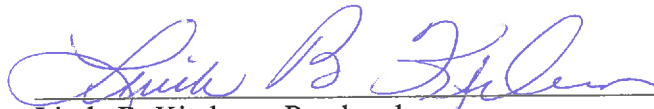
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PLEADING:

DIRECT TESTIMONY OF KEVIN W. O'DONNELL,
CFA ON BEHALF OF SOUTH CAROLINA ENERGY
USERS COMMITTEE

August 17, 2018



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